Senate



General Assembly

File No. 390

February Session, 2008

Senate Bill No. 665

Senate, April 1, 2008

The Committee on Human Services reported through SEN. HARRIS of the 5th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING CONTINUING CARE FACILITIES AND CONTINUING CARE AT HOME.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. Section 17b-520 of the general statutes is repealed and the
- 2 following is substituted in lieu thereof (*Effective October 1, 2008*):
- As used in sections 17b-520 to 17b-535, inclusive, as amended by
- 4 <u>this act</u>:

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- 5 (a) "Continuing-care contract" means an agreement pursuant to
 - which a provider undertakes to furnish to a person not related by
- 7 consanguinity or affinity to the provider, <u>care and</u> shelter <u>in a facility</u>
- 8 or care at home with the right to future access to care and shelter in
- 9 <u>such facility</u> and medical or nursing services or other health-related
- benefits for the life of a person or for a period in excess of one year, and which requires a present or future transfer of assets or an entrance
- fee in addition to or instead of periodic charges, and the amount of the
- 13 assets required to be transferred or the entrance fee is equal to or in

excess of the amount set by the commissioner in regulations adopted pursuant to section 17b-533;

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- (b) "Entrance fee" means the total of any initial or deferred transfer to, or for the benefit of, a provider of a sum of money or other property made or promised to be made as full or partial consideration for acceptance or maintenance of a person as a resident pursuant to a continuing-care contract;
- 21 (c) "Facility" means the place in which a provider undertakes to 22 furnish shelter [or] <u>and</u> care to a person pursuant to a continuing-care 23 contract;
- (d) "Provider" means any person, corporation, limited liability company, business trust, trust, partnership, unincorporated association or other legal entity, or any combination of such entities, undertaking to furnish care and shelter in a facility or care at home with the right to future access to care and shelter in such facility and medical or nursing services or other health-related benefits pursuant to a continuing-care contract;
 - (e) "Resident" means any person entitled to receive present or future shelter, care and medical or nursing services or other health-related benefits pursuant to a continuing-care contract, provided nothing in sections 17b-520 to 17b-535, inclusive, as amended by this act, shall affect rights otherwise afforded to residents while they are patients in healthcare facilities as defined in subsections (a), (b) and (c) of section 19a-490 of the 2008 supplement to the general statutes;
 - (f) "Affiliate of a provider" means any person, corporation, limited liability company, business trust, trust, partnership, unincorporated association or other legal entity directly or indirectly controlling, controlled by or in common control with a provider;
 - (g) "Offer" means an offer through either personal, telephone or mail contact or other communication directed to or received by a person at a location within this state as an inducement, solicitation or

45 attempt to encourage a person to enter into a continuing-care contract

- 46 and shall include any paid advertisement published or broadcast
- 47 within this state, except for advertisements in periodicals where more
- 48 than two-thirds of the circulation is outside this state but shall not
- 49 include marketing or feasibility studies;
- (h) "Shelter" means a room, apartment, cottage or other living area
- 51 in a facility set aside for the exclusive use of one or more persons
- 52 pursuant to a continuing-care contract;
- 53 (i) "Medical or nursing services or other health-related benefits"
- 54 means services or benefits which shall include care in a nursing
- 55 facility, priority admission to a nursing facility, home health care or
- assistance with activities of daily living, to which a resident becomes
- 57 contractually entitled;
- 58 (j) "Department" means the Department of Social Services;
- 59 (k) "Commissioner" means the Commissioner of Social Services.
- Sec. 2. Section 17b-522 of the general statutes is repealed and the
- 61 following is substituted in lieu thereof (*Effective October 1, 2008*):
- 62 (a) Before the execution of a contract to provide continuing care, or
- 63 before the transfer of any money or other property to a provider by or
- on behalf of a prospective resident, whichever shall occur first, the
- provider shall deliver to the person with whom the contract is to be
- 66 entered into, or to that person's legal representative, a conspicuous
- statement notifying the prospective resident that:
- 68 (1) A continuing-care contract is a financial investment and his
- 69 investment may be at risk;
- 70 (2) The provider's ability to meet its contractual obligations under
- 71 such contract depends on its financial performance;
- 72 (3) He is advised to consult an attorney or other professional
- 73 experienced in matters relating to investments in continuing-care

74 facilities before he signs a contract for continuing care; and

- 75 (4) The department does not guarantee the security of his 76 investment.
 - (b) Before the execution of a contract to provide continuing care, or before the transfer of any money or other property to a provider by or on behalf of a prospective resident, whichever shall occur first, the provider shall deliver to the person with whom the contract is to be entered into, or to that person's legal representative, a disclosure statement. The text of the disclosure statement shall contain, to the extent not clearly and completely set forth in the contract for continuing care attached as an exhibit thereto, at least the following information:
- 86 (1) The name and business address of the provider and a statement 87 of whether the provider is a partnership, corporation or other legal 88 entity;
 - (2) The names of the officers, directors, trustees, or managing and general partners of the provider, the names of persons having a five per cent or greater ownership interest in the provider, and a description of each such person's occupation with the provider;
 - (3) A description of the business experience of the provider and of the manager of the facility if the facility will be managed on a day-to-day basis by an organization other than the provider, in the administration of continuing-care contracts as defined in section 17b-520, as amended by this act, or in the administration of similar contractual arrangements;
 - (4) A description of any matter in which the provider, any of the persons described in subdivision (2) of this subsection, or the manager has been convicted of a felony or pleaded nolo contendere to a felony charge, or held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently

effective injunction or restrictive or remedial order of a court of record, 105 106 within the past five years has had any state or federal license or permit 107 suspended or revoked as a result of an action brought by a 108 governmental agency or department, rising out of or relating to 109 business activity or health care, including but not limited to actions 110 affecting the operation of a foster care facility, nursing home, 111 retirement home, residential care home, or any facility subject to 112 sections 17b-520 to 17b-535, inclusive, as amended by this act, or a 113 similar statute in another state or country;

(5) A statement as to whether or not the provider is, or is affiliated with, a religious, charitable, nonprofit, or for-profit organization; the extent of the affiliation, if any; the extent to which the affiliate organization will be responsible for the financial and contractual obligations of the provider; and the provision of the federal Internal Revenue Code, if any, under which the provider or affiliate is exempt from the payment of income tax;

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- 121 (6) The location and a description of the physical property or 122 properties of the provider, existing or proposed; and, if proposed, the 123 estimated completion date or dates, whether or not construction has 124 begun, and the contingencies subject to which construction may be 125 deferred;
- 126 (7) The goods and services provided or proposed to be provided 127 without additional charge under the contract for continuing care 128 including the extent to which medical or nursing care or other health-129 related benefits are furnished;
- 130 (8) The disposition of interest earned on entrance fees or other 131 deposits held in escrow;
 - (9) A description of the conditions under which the continuing-care contract may be terminated, whether before or after occupancy, by the provider or by the resident. In the case of termination by the provider, a description of the manner and procedures by which a decision to terminate is reached by the provider, including grounds for

termination, the participation of a resident's council or other group, if any, in reaching such a decision, and any grievance, appeal or other similar procedures available to a resident whose contract has been terminated by the provider;

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- (10) A statement setting forth the rights of a surviving spouse who is a resident of the facility and the effect of the continuing-care contract on the rights of a surviving spouse who is not a resident of the facility, in the event of the death of a resident, subject to any limitations imposed upon such rights by statute or common law principles;
- 146 (11) A statement of the effect of a resident's marriage or remarriage 147 while in the facility on the terms of his continuing-care contract;
- 148 (12) [A] <u>Subject to the provisions of subsection (g) of this section, a</u> 149 statement of the provider's policy regarding disposition of a resident's 150 personal property in the event of death, temporary or permanent 151 transfer to a nursing facility, or termination of the contract by the 152 provider;
 - (13) A statement that payment of an entrance fee or other transfer of assets pursuant to a continuing-care contract may have significant tax consequences and that any person considering such a payment or transfer may wish to consult a qualified advisor;
 - (14) The provisions that have been made or will be made by the provider for reserve funding and any other security to enable the provider to perform fully its obligations under continuing-care contracts, including but not limited to escrow accounts established in compliance with sections 17b-524, as amended by this act, and 17b-525 trusts, or reserve funds, together with the manner in which such funds will be invested and the names and experience of the persons making or who will make investment decisions. Disclosure shall include a summary of the information contained in the five-year financial information filed with the commissioner pursuant to section 17b-527; said summary shall set forth by year any anticipated excess of future liabilities over future revenues and shall describe the manner in which

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- the provider plans to meet such liabilities;
- 170 (15) Audited and certified financial statements of the provider,
- including (A) a balance sheet as of the end of the most recent fiscal
- 172 year and (B) income statements for the three most recent fiscal years of
- the provider or such shorter period of time as the provider shall have
- 174 been in existence;
- 175 (16) [If] Subject to the provisions of subsection (g) of this section, if
- 176 the operation of the facility has not yet commenced, or if the
- 177 construction of the facility is to be completed in stages, a statement of
- the anticipated source and application of the funds used or to be used
- in the purchase or construction of the facility or each stage of the
- 180 facility, including:
- 181 (A) An estimate of such costs as financing expense, legal expense,
- land costs, marketing costs, and other similar costs which the provider
- 183 expects to incur or become obligated for prior to the commencement of
- operations of each stage of the facility;
- 185 (B) A description of any mortgage loan or any other financing
- intended to be used for the financing of the facility or each stage of the
- facility, including the anticipated terms and costs of such financing;
- 188 (C) An estimate of the total entrance fees to be received from or on
- behalf of residents at or prior to commencement of operation of each
- 190 stage of the facility; and
- 191 (D) An estimate of the funds, if any, which are anticipated to be
- 192 necessary to fund start-up losses and provide reserve funds to assure
- 193 full performance of the obligations of the provider under continuing-
- 194 care contracts;
- 195 (17) Pro forma annual income statements for the facility for the next
- 196 five fiscal years;
- 197 (18) A description of all entrance fees and periodic charges, if any,
- 198 required of residents and a record of past increases in such fees and

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199 charges during the previous seven years;

- (19) For each facility operated by the provider, the total actuarial present value of prepaid healthcare obligations assumed by the provider under continuing-care contracts as calculated on an actuarially sound basis using reasonable assumptions for mortality and morbidity;
 - (20) A statement that all materials required to be filed with the department are on file, a brief description of such materials, and the address of the department at which such materials may be reviewed;
 - (21) The cover page of the disclosure statement shall state, in a prominent location and type face, the date of the disclosure statement and that registration does not constitute approval, recommendation, or endorsement by the department or state, nor does such registration evidence the accuracy or completeness of the information set out in the disclosure statement;
 - (22) If the construction of the facility is to be completed in stages, a statement as to whether all services will be provided at the completion of each stage and, if not, the services that will not be provided listed in bold print.
 - (c) (1) Not more than sixty nor less than ten days before the execution of a contract to provide continuing care, the provider shall deliver a current disclosure statement to the person with whom the contract is to be entered into or to that person's legal representative.
 - (2) Not more than sixty nor less than ten days before a person occupies a continuing care facility, the provider shall deliver a revised and up-to-date disclosure statement to the prospective resident or to that person's legal representative, except that if there have been no revisions to the disclosure statement previously delivered pursuant to subdivision (1) of this subsection, the provider shall deliver a statement to the prospective resident or representative that there have been no revisions to the original disclosure statement.

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230 (d) The statement required under subsections (a) and (b) of this 231 section shall be signed and dated by the prospective resident before 232 the execution of a contract to provide continuing care or before the 233 transfer of any money or other property to a provider by or on behalf 234 of the prospective resident. Each such statement shall contain an 235 acknowledgment that such statement and the continuing-care contract 236 have been reviewed by the prospective resident or his legal 237 representative. Such signed statements shall be kept on file by the 238 provider for a period of not less than the term of the contract.

- (e) Each statement required under subsections (a) and (b) of this section and the continuing-care contract shall be in language easily readable and understandable in accordance with the provisions of subsections (a) and (b) of section 42-152.
- 243 (f) A copy of the standard form or forms of the continuing-care 244 contract used by the provider shall be attached as an exhibit to each 245 disclosure statement.
- 246 (g) The provisions of subdivisions (12) and (16) of subsection (b) of 247 this section shall not apply to a continuing-care contract for the 248 provision of care in a person's home.
- [(g)] (h) The commissioner may adopt regulations in accordance with the provisions of chapter 54 to specify any additional information required in the disclosure statement.
- Sec. 3. Section 17b-523 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2008*):
- 254 (a) Each continuing-care contract shall provide:
- (1) That the party contracting with the provider may rescind the contract by notifying the provider in writing by registered or certified mail of such rescission within thirty days following the execution of the contract; that in the event of such rescission, any money or property transferred to the provider shall be refunded, less (A) those costs specifically incurred by the provider or facility at the request of

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the resident and described in the contract or in an addendum thereto signed by the resident; and (B) a reasonable service charge, not to exceed the greater of one thousand dollars or two per cent of the entrance fees; and, if applicable, that the resident to whom the contract pertains shall not be required to move into the facility before the expiration of the thirty-day period;

- (2) That if, after the thirty-day period, a resident dies before occupying a contracted-for living unit, or on account of illness, injury or incapacity is precluded from occupying a contracted-for living unit under the terms of the continuing-care contract, or a resident dies before the commencement of care under a continuing-care contract to provide care in such person's home, upon notice to the provider by registered or certified mail, the contract is automatically cancelled and the resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (A) those costs specifically incurred by the provider or facility at the request of the resident and described in the contract or in an addendum thereto signed by the resident; (B) a reasonable service charge not to exceed the greater of one thousand dollars, or two per cent of the entrance fee, and (C) if the contract includes occupying a living unit in a facility and the unit was actually available for occupancy, the usual monthly charge for that unit, prorated on a per diem basis, for the period beginning seven days after the execution of the contract and ending on the last day of the month in which the provider receives notice that the resident will not occupy the unit;
- (3) That if construction of the facility has not yet begun, construction will not begin until a minimum number of living units, which shall not be less than one-half of the units in the facility or if the construction is to be completed in stages, one-half of the units evidencing financial feasibility in accordance with section 17b-526, have been presold, and a minimum deposit of five per cent of the entrance fee per unit for all presold units or ten thousand dollars per unit for all presold units, whichever is less, has been received by the provider. The requirements of this subdivision shall not apply to any continuing-care contract for

- 295 <u>the provision of care in a person's home.</u>
- 296 (b) Each continuing-care contract shall also specify:
- 297 (1) The circumstances under which the resident will be permitted to continue to receive <u>care and</u> shelter [,] <u>in a facility or care at home with</u>
- 299 the right to future access to care and shelter in such facility and
- 300 medical or nursing services or other health-related benefits, and other
- 301 benefits under the continuing-care contract in the event of possible
- 302 financial difficulties on the part of the resident;
- 303 (2) The terms and conditions under which a contract for continuing 304 care may be cancelled by the provider or by the resident; and the 305 conditions, if any, under which all or any portion of the entrance fee 306 will be refunded in the event of cancellation of the contract by the 307 provider or by the resident or in the event of the death of the resident
- 308 prior to or following occupancy of a living unit;
- 309 (3) The conditions under which a living unit occupied by a resident 310 may be made available by the provider to a different or new resident 311 other than on the death of the original resident;
- 312 (4) The manner in which the provider may adjust periodic charges 313 or other recurring fees and the limitations of such adjustments, if any, 314 and, if there is no such limitation, a clear statement that such increases 315 may be made at the discretion of the provider.
- Sec. 4. Section 17b-524 of the general statutes is amended by adding subsection (d) as follows (*Effective October 1, 2008*):
- (NEW) (d) The provisions of this section shall not apply to any continuing-care contract for the provision of care in a person's home.
- Sec. 5. Subsection (g) of section 17b-354 of the 2008 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2008*):
- 323 (g) (1) A continuing care facility which guarantees life care for its

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residents, as defined in subsection (b) of this section, (A) shall arrange for a medical assessment to be conducted by an independent physician or an access agency approved by the Office of Policy and Management and the Department of Social Services as meeting the requirements for such agency as defined by regulations adopted pursuant to subsection (e) of section 17b-342, prior to the admission of any resident to the nursing facility and shall document such assessment in the resident's medical file and (B) may transfer or discharge a resident who has intentionally transferred assets in a sum which will render the resident unable to pay the cost of nursing facility care in accordance with the contract between the resident and the facility.

(2) A continuing care facility which guarantees life care for its residents, as defined in subsection (b) of this section, may, for the seven-year period immediately subsequent to becoming operational, accept nonresidents directly as nursing facility patients on a contractual basis provided any such contract shall include, but not be limited to, requiring the facility (A) to document that placement of the patient in such facility is medically appropriate; (B) to apply to a potential nonresident patient the financial eligibility criteria applied to a potential resident of the facility pursuant to said subsection (b); and (C) to at least annually screen each nonresident patient to ensure the maintenance of assets, income and insurance sufficient to cover the cost of at least forty-two months of nursing facility care. A facility may transfer or discharge a nonresident patient upon the patient exhausting assets sufficient to pay the costs of his care or upon the facility determining the patient has intentionally transferred assets in a sum which will render the patient unable to pay the costs of a total of fortytwo months of nursing facility care from the date of initial admission to the nursing facility. Any such transfer or discharge shall be conducted in accordance with section 19a-535. The commissioner may grant [up to a] one or more three-year [extension] extensions of the period during which a facility may accept nonresident patients, provided the facility is in compliance with the provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
sections.		
Section 1	October 1, 2008	17b-520
Sec. 2	October 1, 2008	17b-522
Sec. 3	October 1, 2008	17b-523
Sec. 4	October 1, 2008	17b-524
Sec. 5	October 1, 2008	17b-354(g)

HS Joint Favorable

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill allows continuing care retirement communities (CCRC's) to provide care to individuals in their own homes if these individuals are given future access to facility care. This change is not expected to result in any direct fiscal impact to the state as this level of CCRC care is not eligible for participation in the Medicaid program.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis SB 665

AN ACT CONCERNING CONTINUING CARE FACILITIES AND CONTINUING CARE AT HOME.

SUMMARY:

This bill allows continuing care retirement communities (CCRCs) to provide care to individuals in their own homes if these individuals are given future access to facility care. Current law allows a CCRC to provide shelter and medical services only to residents in its facilities.

EFFECTIVE DATE: October 1, 2008

§ 1 — DEFINITIONS

The bill amends the definition of "continuing-care contract" to allow these agreements to include the provision of care in an individual's home if the individual can receive future access to services and shelter in the CCRC facility. Current law requires a contract to provide shelter and health care services and benefits to an individual in a CCRC facility for at least one year. In exchange, a resident must agree to transfer assets, or pay an entrance fee or periodic charges.

The bill does not define the term "care." It appears to mean those services and benefits outside the scope of "medical or nursing services or other-health related benefits," which the law defines as nursing facility services, priority admission to a nursing facility, home health care, or assistance with activities of daily living to which a resident is contractually entitled. The bill also extends the provision of "care" to individuals living in CCRCs.

It is also unclear whether the bill calls for a single contract for the provision of both facility care and home care or whether they are separate contracts. If it is separate, it appears that a provider must offer

medical or nursing services and benefits to individuals under both contracts.

The bill also amends the definition of a continuing care "provider" to include the home care if the recipient can receive future access to services and housing in the CCRC facility. Current law requires providers to administer shelter and medical services to residents only at licensed CCRCs.

It also makes technical and conforming changes to other definitions.

§ 5 — NONRESIDENT NURSING HOME PATIENTS

The bill removes the limit on the number of extensions a continuing care facility may request from the Department of Social Services (DSS) to admit nonresident patients into its nursing homes, thus eliminating the 10-year limit in this practice. Current law allows facilities to accept nonresident patients for seven years after opening, plus one three-year extension. A facility may accept nonresidents into its nursing home only if (1) it is medically appropriate, (2) the facility applies the same financial eligibility criteria to potential nonresidents that is applied to residents, and (3) the facility annually screens each nonresident to determine whether the patient has sufficient resources to cover at least 42 months of nursing home care.

§ 2 — DISCLOSURE REQUIREMENTS

By law, providers must submit extensive written disclosure statements to prospective residents before entering into a contract or accepting a resident's money or property. The disclosure must include the provider's contact information and business experience; any criminal or legal offenses and license suspensions or revocations; all goods and services provided; conditions for contract termination; a description of the facility, including any proposed expansions; and all entrance fees and charges, including a description of past increases over the previous seven years (CGS § 17b-522).

The bill exempts a provider under contract to provide in-home services from two disclosure requirements: (1) how it will dispose of a

resident's personal property if the person dies or transfers to a nursing facility or the provider terminates the contract and (2) financial information for a facility that has not begun operating or is being constructed in stages.

§ 3 —CONTRACT REQUIREMENTS

Additional Requirements

The bill requires continuing care contracts for the provision of inhome services to specify the circumstances under which a resident can still receive services at home with the right to future access to facility care if the resident experiences financial difficulties.

It also requires a CCRC to automatically terminate the contract of an individual who dies before beginning to receive services at home and refund any money or property it received from the deceased to the individual's representative. Current law requires this for a resident unable to initially move into a CCRC due to illness, injury, or death.

Exemptions

The bill specifies that the following contract requirements do not apply to contracts providing only in-home services:

- 1. the requirement that if construction has not begun on the facility, that the contract provide that it will not start until (a) at least half of the units have been presold and (b) the developer has received a deposit of 5% of the entrance fee or \$ 10,000 for each presold unit, whichever is less; and
- 2. the requirement that if a resident's contract is terminated because the resident fails to initially move into a facility due to illness, injury, or death and the unit was actually available for occupancy, the facility may charge its usual per diem charge for the living unit for the period running from seven days after the contract was executed until the end of the month the contract was terminated.

§ 4 — ENTRANCE FEE ESCROW ACCOUNT

The bill exempts contracts for providing in-home services from the law that requires a continuing care facility to set up an escrow account for entrance fees to protect a resident's money in the event that the facility is under construction or the living unit is not ready for occupancy. The fee must be returned to the prospective resident or the resident's representative if the resident exercises his or her right to rescind the contract.

BACKGROUND

Continuing Care Retirement Communities

A CCRC provides elderly people (although there is a no legal age requirement for residency) with a lifetime "continuum of care." Residents must usually pay a one-time entry fee, which is often \$100,000 or more, and continuing monthly payments, often ranging between \$1,000 and \$3,000. Thus, people must have considerable assets to live in a CCRC. They usually obtain the entry price by selling their houses.

At first, the senior lives independently in an apartment and later, when he or she becomes more frail, can receive assisted living services in it or move into an assisted living unit. CCRCs often have small nursing homes on their premises or contract with a nearby nursing home for residents who ultimately need 24-hour nursing care. They also provide some common meals; have common spaces for leisure and recreation programs; and provide housekeeping, laundry, and transportation services. CCRCs must register with DSS and are subject to its regulation.

COMMITTEE ACTION

Human Services Committee

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Joint Favorable
Yea 19 Nay 0 (03/13/2008)
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